

## Message Text

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ORIGIN NEA-03

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R 161655Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY KATHMANDU

C O N F I D E N T I A L STATE 075954

LIMDIS

FOLLOWING REPEAT STATE 075954 ACTION NEW DELHI 15

APRIL 1974. QUOTE:

C O N F I D E N T I A L STATE 075954

AIDAC

E.O. 11652: GDS

SUBJECT: DEVELOPMENT ASSISTANCE FOR INDIA

LIMIT DISTRIBUTION

1. FOLLOWING UP     AUTHORIZATION FOR AMBASSADOR TO BE-  
GIN DISCUSSIONS ON POSSIBLE RESUMPTION BILATERAL ASSISTANCE,  
HEREWITH ARE CURRENT A.I.D. GUIDELINES. MAJOR ELEMENTS  
ARE: (A) FUND LIMITATIONS, (B) FOCUS ON CONGRESSIONALLY  
MANDATED PURPOSES OF ASSISTANCE ON BASIC HUMAN NEEDS, AND  
(C) A NEW EVOLVING METHOD OF AID ADMINISTRATION.

2. FUNDS. DISCUSSIONS SHOULD BE IN CONTEXT OF A PLANNING  
LEVEL OF DOLS. 75 MILLION OF DEVELOPMENT LOAN FUNDS FOR FY  
1975, SUBJECT TO APPROPRIATION AND TO AGREEMENT ON SUITABLE  
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ACTIVITIES. IT IS UNLIKELY THAT ANY LOAN FUNDS WILL BE

AVAILABLE THIS FISCAL YEAR. GRANT FINANCING FOR TECHNICAL ASSISTANCE UP TO DOLS. 1,000,000 RANGE COULD BE AVAILABLE IN FY 1974 AND AGAIN IN FY 1975.

3. PURPOSE OF AID. CONGRESS HAS DIRECTED US TO CONCENTRATE

AID EFFORTS WHERE THEY ARE NEEDED MOST - IN AREAS DIRECTLY CONTRIBUTING TO AN IMPROVED QUALITY OF LIFE FOR THE DESPERATELY POOR. ACTIVITIES FOR AID CONSIDERATION THUS SHOULD BE THOSE CONCENTRATING ON RURAL DEVELOPMENT AND FOOD AND

FOOD QUALITY FOR THE MASSES (FAA SEC 103), THE HEALTH OF THE GENERAL POPULACE INCLUDING THEIR OPPORTUNITY VOLUNTARILY TO PLAN THEIR FAMILIES (FAA SEC 104), AND THE EDUCATION OF BROAD SEGMENTS OF THE POPULATION TO PLAY AN EFFECTIVE PART IN A PRODUCTIVE ECONOMY (FAA SEC 105). MANY PAST ACTIVITIES HAVE POINTED IN THESE DIRECTIONS, BUT WE ARE NOW CHARGED WITH SHARPENING FOCUS TO INVOLVE AND BE BENEFIT THOSE NOT TOUCHED BY PAST DEVELOPMENT PROGRAMS. A NUMBER OF TECHNICAL POINTS OF GUIDANCE ON AID PURPOSES AND CONSTRAINTS ARE GIVEN IN PARA 5 BELOW.

4. AID ADMINISTRATION. A GREAT DEAL MORE EMPHASIS SHOULD BE PLACED ON INDIAN INITIATIVE, PROJECT PLANNING, AND ADMINISTRATION IN FUTURE AID PROGRAMS. SEE STATE 163342 OF AUGUST 17, 1973, A CONVERSATION WITH M.G. KAUL AT HIS INITIATIVE, ON WAYS IN WHICH AN AID PROGRAM MIGHT BE ADMINISTERED. IN THE CURRENT NEGOTIATIONS, THIS SPIRIT SHOULD BE INVOKED, AND THE GOI SHOULD BE ASKED TO PROPOSE AREAS OF ACTIVITY WHICH THEY THINK MIGHT MEET THE CONGRESSIONAL INTENT AS GIVEN ABOVE AND CONFORM TO THEIR DEVELOPMENTAL PRIORITIES. IF NEGOTIATIONS SUCCEED, WE WILL HAVE TO ADD MODESTLY TO THE PRESENT SKELETON DELHI STAFF TO BE ABLE TO HELP PLAN AND OVERSEE AID ACTIVITIES.

5. ADDITIONAL AID CONSTRAINTS AND MODALITIES.

(A) ALTHOUGH WE BELIEVE OUR GREATEST EFFECTIVENESS IN HELPING INDIA TACKLE BASIC HUMAN NEEDS REQUIRES THAT WE OFFER DOLLAR FINANCING OF LOCAL COSTS, THE APPROPRIATION

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ACT FOR 1974 MAY PRECLUDE SUCH FINANCING IN EXCESS CURRENCY COUNTRIES SUCH AS INDIA. WE WILL SEEK LIBERALIZED DEFINITION OR REMOVAL OF THIS LIMITATION FOR FY 1975, BUT CANNOT BE ASSURED WE WILL SUCCEED. YOU MAY INFORM GOI OF THIS (LIMITATION AND PLANNED EFFORT TO REMOVE IT), BUT SHOULD DISCUSS WITH THEM ACTIVITIES ON BOTH BASES, THAT IS, WITH AUTHORITY TO FINANCE LOCAL COSTS AS WELL AS WITHOUT.

(B) IF WE ARE NOT ABLE TO FINANCE LOCAL COSTS, WE WOULD BE LIMITED TO FINANCING FOREIGN EXCHANGE COSTS ONLY. IN SUCH, WE ARE PREPARED TO CONSIDER NOT ONLY DIRECT FOREIGN EXCHANGE IMPORT COSTS, BUT ALSO CONSERVATIVELY CALCULATED

IMPUTED FOREX COSTS OF AGREED PROJECTS. FOR EXAMPLE, INDIA BEING A NET IMPORTER OF COPPER AND OTHER METALS, THE IMPUTED COSTS OF SUCH METALS FOR RURAL ELECTRIFICATION OR FARM-LEVEL IRRIGATION PUMP SETS COULD BE ELIGIBLE.

(C) GRANT FINANCING FOR TECHNICAL ASSISTANCE SHOULD BE FOCUSED ON THE THREE PRIORITY AREAS OF BASIC HUMAN NEED,

INCLUDING SCIENTIFIC EXCHANGES WHICH BEAR ON FULFILLMENT OF THOSE NEEDS. WE ARE PREPARED TO CONSIDER AN OVERALL

GRANT FOR SUCH GENERAL PURPOSES WITH SPECIFIC EXCHANGES TO BE DETERMINED LARGELY ON GOI INITIATIVE. PROCEDURES FOR SUCH GENERAL PURPOSE GRANTS HAVE ALREADY BEEN GIVEN YOU. IN SUCH TECHNICAL ASSISTANCE GRANTS, AT THIS STAGE, WE TAKE THE POSITION THAT GOI SHOULD BE RESPONSIBLE FOR FINANCING ALL COSTS WHICH CAN BE MET IN RUPEES INCLUDING INTERNATIONAL TRAVEL, QUARTERS AND UTILITY COSTS, INTERNAL TRAVEL, ETC., RATHER THAN HAVING SUCH COSTS BE CHARGED TO THE DOLLAR GRANT. SEPTEL GIVES FULLER GUIDANCE ON TECHNICAL ASSISTANCE.

UNQUOTE KISSINGER

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